14:International Bank S-5 (1954) 1955 MD1 Syria MD1

The manufacture of silk and artificial silk brocade, mainly as a luxury export, employs only a few mechanical looms; hand looms are still in the majority. The existing capacity seems to be adequate to meet the demand which, because of the high price of the goods produced, is bound to be fairly restricted. Trade figures, however, reveal a trend towards increasing exports of the less expensive types of cloth made from cotton or rayon or a combination of both materials. Recent export and import figures are given in the Appendix.

For one of the factories in the new and continuously expanding rubber boots and shoes industry, most of the machinery (except the cutting and sewing machines) was made in small local engineering shops and assembled at the factory by the company's own labor. It is somewhat primitive, although the goods produced are of reasonable quality. The installation of modern foreign machinery would considerably increase production and reduce labor costs. This industry is protected by an embargo and has a small export trade with surrounding countries. Shortage of capital seems to be the main impediment to faster modernization.

Capital

The original capital of most of the larger Syrian industrial enterprises was put up either by a single family or a small partnership and in general the expansion reflected the amount of earnings retained in the firm. Even in the rather exceptional case in which an enterprise was corporate in form (*société anonyme*), it usually maintained in substance a privately owned and privately financed character.

This pattern of organization and growth is equally true of the majority of industrial firms created since 1945, among them the largest in Syria. Some of these began on a large modern scale, requiring both heavy investments and several million £S of original capital for their financing, and although generally incorporated with a certain spreading of stock in some cases, the company much more often was owned or largely controlled by one or a very few persons. This situation reflects the prevailing distribution of wealth, the reluctance to participate in business without control, the unfamiliarity with stock, the lack of a well organized capital market, particularly for equity investments, and last but not least the preference for large and quick returns on savings, for which there were, at least in the

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The extension of cereal and cotton cultivation has been carried out by private enterprise. Most of the initial capital was provided by landlords, but merchants and banks soon started financing the crops; in 1951 it was estimated that some £S 200 million to £S 300 million had been required to finance the planting and moving of the cotton crop, of which all but £S 50 million came from outside agriculture. In recent years, the volume of advances granted and bills discounted by the principal banks rose by about £S 50 million between the seasonal low of July or August and the peak of the cotton season, in November. But the bulk of the capital needs are still supplied by non-banking sources. Private initiative also set up the 31 saw gins and 1,767 smaller gins which were operating in 1952 and which can handle about 300,000 tons of unginned cotton. It has been responsible for the introduction of the various types of American cotton seeds, of which the most widely used is the Lone Star variety, which produces cotton very similar to Egyptian Ashmuni. Private enterprise also took the lead in utilizing chemical fertilizers, imports of which increased from a negligible amount in 1950 to 5,000 tons in 1952, 11,000 in 1953 and 13,000 tons in the first nine months of 1954.

Another field in which private initiative has taken the lead is that of beet growing. The sugar refining company extended advances to growers, supplied them with free seeds and instruction, sold them fertilizers and offered them high prices for their output. By 1953, as a result, 4,500 hectares had been planted to beets, giving a crop of 60,000 tons; 1/ a crop of 80,000 tons was anticipated for 1954. 2/

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The Government has rendered valuable assistance to agriculture, especially to cotton growers. Following the very poor crop of 1951, when over-extension and pests combined to reduce cotton yields sharply, a Cotton Office was established in January 1952. On its staff it had Egyptian experts recruited directly by the Government or sent by the Food and Agriculture Organization of the United Nations. Several decree laws of 1952 fixed cotton acreage and subjected its cultivation to Government authorization; they limited the number of authorized varieties to six and forbade the mixing of varieties; regulated ginning, in order to disinfect, select and classify seeds; made obligatory the spraying of cotton plants with pesticides, which in case of negligence is to be carried out by the Government at the farmer's expense; set minimum standards and established grades for the classification of cotton. 3/ In 1953, the Government forbade the use of seeds not

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1/ Average yield of irrigated land is two to three tons per hectare, and of non-irrigated, 0.5 to 0.75.

2/ Information supplied by Ministry of National Economy. Output of fruits and vegetables has also increased in recent years, but little progress has been made in livestock breeding. An estimate of agricultural income in 1953 put the value of the wheat crop at £S 305 million (a figure based on an estimated production of 1,355,000 tons against a final estimate of 870,000 tons); of barley at £S 7 million; of cotton at £S 121 million; and of other crops at £S 200 million, giving a total of £S 633 million. Livestock and livestock products were put at £S 240 million (La Syrie économique, 1953).

3/ Etude spéciale sur le coton syrien.

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purchased from the Agricultural Bank. There is no doubt that these measures have helped to raise cotton yields and quality.

Some help has also been given to growers of cereals, by the importing and sale at half price of seed wheat from France and Italy; 1,500 tons were imported in 1953. The Government has set up five experiment stations, for fruits, cereals and cotton, has expanded agricultural education and has begun extension work among farmers.

The Government has also helped growers financially, by purchasing spraying equipment and pesticides, reselling them to farmers and advancing loans for the purchase of pesticides. The capital of the Agricultural Bank was raised from £S 5.8 million in 1940 to £S 7.2 million in 1945, and £S 21.6 million in 1953. Loans advanced by it increased from £S 268,000 in 1940 to £S 1.6 million in 1945, and £S 12.5 million in 1953. In 1953, the number of borrowers was 20,300 and the recovery rate was 93 per cent. The bank also made loans in kind - cotton and rice seeds, spraying equipment, pesticides, tractors, ploughs and pumps. 1/

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On the other hand, some government measures concerning marketing and exports have had adverse effects on growers. The Cereals Office's attempt to collect grain for the use of the urban population, at below market prices during the winter of 1951/52, following a very poor crop, led to hoarding, and wheat had to be imported at high prices. In 1952, the Government ordered growers to deliver to the Cereals Office one ton of wheat, at £S 230, for every two tons exported; this led to a rise in the export price to above the world level, hampering exports. In 1953, this arrangement was replaced by a lower export tax on wheat and barley. It would appear that these taxes were borne by growers, not by merchants or foreign consumers, and hence that they constituted a subsidy from rural areas to the towns. With the fall in world prices of wheat, the Government abolished the taxes in May 1954. Similarly, it would seem as though the tax on cotton exports introduced in 1952 has been shifted to growers.

Industry

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The rapid post-war industrial growth was chiefly due to private initiative but much government protection and some financial assistance were required by several industries. Most of the new capital was provided by merchants, but there was also an appreciable amount of reinvestment of industrial profits.

1/ Statistical Abstract and La Syrie économique, 1953. In 1953, the bank was authorized to make loans against warehouse receipts issued by the Cereals Office for barley and wheat delivered to it. A rate of 6 per cent is charged on these and all other loans.

433 No over-all figures on the increase of capital, output or employment are
0472 available, but the following data are indicative. Between 1945 and 1953,
454 inclusive, a total of £S 70.7 million was invested in thirty-seven industrial joint-stock companies; of this £S 53.1 million was invested in 1945 and 1946. 1/ A considerable amount was also invested in unincorporated enterprises. Sales of electricity to industry increased from 15 million kilowatt-hours in 1947 to 88 million in 1951, 56 million in 1953 and 19 million during the first half of 1954. Imports of industrial machinery and equipment amounted to 9,100 tons in 1950, 19,500 in 1951, 10,800 in 1952 and 12,000 tons in 1953, with an aggregate value of £S 200 million. 2/ Table 51 shows available information on the principal Syrian industries.

433 The textile industry is by far the most important, as regards capital
288 invested, employment and value of output. The rapid expansion of cotton growing led to an increase in the number of cotton ginneries, from thirty in 1945 to 110 in 1953. Cotton spinning began in 1935; by 1939 there were 18,000 spindles and by 1954 some 92,000 with a capacity of 12,000 tons of cotton and rayon yarn. Output of cotton yarn rose from 1,700 tons in 1944 to 5,500 in 1950 and 6,600 tons in 1953; that of rayon yarn from 800 in 1950 to 1,200 in 1953; there was a further increase in 1954. Small factories also produce 40 tons of woollen yarn and 16 tons of silk yarn. Mechanical looms increased from 1,500 in 1939 to 3,500 in 1953; there are also 6,000 hand looms. Output of cloth, knitted goods and hosiery is shown in table 51. Dyeing and printing are done in well equipped factories established after the Second World War. The textile industry meets local requirements in most branches and provides an export surplus.

433 Food processing industries form the next most important group. A large-scale
258 sugar refinery started production in 1950, on imported raw sugar; its output rose to 30,000 tons in 1953, of which 23,000 were from imported raw sugar and 7,000 from locally grown beets; output in 1954 was about 38,000 tons. It also produces 1,000 tons of alcohol and some starch glucose as a by-product. The refinery, which fully meets Syria's demand, has not yet reached its full capacity. The vegetable oil industry produces, by means of modern presses established after the war as well as older hand presses, some 7,000 to 12,000 tons of olive oil, about 6,000 to 8,000 tons of cotton-seed oil and some 2,000 to 4,000 tons of other oils. Other important food and beverage industries include the making of biscuits
655 and macaroni, oleomargarine, confectionery and chocolates, and also brewing and canning. The tobacco industry is a State monopoly. 3/

1/ Of the total, £S 23 million was accounted for by six textile companies, 13.4 million by four food processing companies, 10.5 million by three vegetable oil and soap companies, 9.0 million by a cement and building materials company, 8.0 million by a glass and porcelain company, 3.3 million by seventeen electric power companies and 3.5 million by five other companies.

2/ Data from Ministry of National Economy.

3/ The Government took over the tobacco monopoly from a concessionary company in 1951, paying £S 2.5 million as compensation.